

STITES & HARBISON

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LEXINGTON, KENTUCKY 40507
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GARRY A. PERRY

OF COUNSEL
BEN B. FOWLER
RUFUS LISLE
NATHAN ELLIOTT, JR.
RICHARD BUSH, JR.
* ADMITTED IN INDIANA ONLY

January 5, 1990

RECORDATION NO. 16710
FILED 1425

JAN 9 1990 - 11 55 AM

Interstate Commerce Commission
Attention: Ms. Mildred Lee
12th Constitution Avenue N.W.
Room 2303
Washington, D.C. 20423

RECORDATION NO. 16710
FILED 1425

JAN 9 1990 - 11 55 AM

INTERSTATE COMMERCE COMMISSION

Dear Ms. Lee:

INTERSTATE COMMERCE COMMISSION

Pursuant to your instructions, I have enclosed an original and two (2) certified true copies of the documents described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

- A. The first document is a Security Agreement, a primary document, dated August 27, 1987.

The names and addresses of the parties to the Security Agreement are as follows:

Debtor: R.J. Corman Railroad Company/Memphis Line
Jessamine Station Pike
P.O. Box 788
Nicholasville, Kentucky 40356

Secured Parties:

1. NCNB National Bank of North Carolina
1 NCNB Plaza
Charlotte, North Carolina 28255
2. Central Bank and Trust Company
300 W. Vine Street
Kincaid Towers
Lexington, Kentucky 40507

A description of the equipment covered by the Security Agreement follows:

STITES & HARBISON

Ms. Mildred Lee
January 5, 1990
Page 2

1. 1750 H.P. EMD model GP9 diesel-electric locomotive, bearing road number B&O 6469;
2. 1750 H.P. EMD model GP9 diesel-electric locomotive, bearing road number B&O 6501;
3. 1750 H.P. EMD model GP9 diesel-electric locomotive, bearing road number B&O 6521;
4. 1750 H.P. EMD model GP9 diesel-electric locomotive, bearing road number B&O 6533;
5. 1750 H.P. EMD model GP9 diesel-electric locomotive, bearing road number B&O 6586.
6. 1750 H.P. EMD model GP9 diesel-electric locomotive, bearing road number C&O 5999.
7. Included in the property covered by the aforesaid Security Agreement are locomotives intended for use related to interstate commerce, or interests therein, owned by R.J. Corman Railroad Company/Memphis Line at the date of the security Agreement, and all replacements and substitutions therefor and accessions thereto and all proceeds thereof, including insurance proceeds.

A short summary of the document to appear in the index follows:

Security Agreement between R.J. Corman Railroad Company/Memphis Line, Jessamine Station Pike, P.O. Box 788, Nicholasville, Kentucky 40356, NCNB National Bank of North Carolina, 1 NCNB Plaza, Charlotte, North Carolina 28255, and Central Bank and Trust Company, 300 West Vine Street, Kincaid Towers, Lexington, Kentucky 40507 dated August 27, 1987, and covering six (6) 1750 H.P. EMD model GP9 diesel-electric locomotives (bearing road numbers B&O 6469, B&O 6501, B&O 6521, B&O 6533, B&O 6586 and C&O 5999), and all replacements and substitutions therefor and accessions thereto and all proceeds thereof, including insurance proceeds.

- B. The second document is an Assignment, relating to the Security Agreement described above, dated December 29, 1989.

We request that this Assignment be cross-indexed.

STITES & HARBISON

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Debtor:

R.J. Corman Railroad Company/Memphis Line
Jessamine Station Pike
P.O. Box 788
Nicholasville, Kentucky 40356

The names and addresses of the parties to the Assignment are as follows:

Assignors:

1. NCNB National Bank of North Carolina
1 NCNB Plaza
Charlotte, North Carolina 28255
2. Central Bank and Trust Company
300 W. Vine Street
Kincaid Towers
Lexington, Kentucky 40507

Assignee:

Commercial Bank of Dawson, Kentucky
P.O. Box 464
Dawson Springs, Kentucky 42408

A description of the equipment covered by the Assignment follows:

1. 1750 H.P. EMD model GP9 diesel-electric locomotive, bearing road number B&O 6469;
2. 1750 H.P. EMD model GP9 diesel-electric locomotive, bearing road number B&O 6501;
3. 1750 H.P. EMD model GP9 diesel-electric locomotive, bearing road number B&O 6521;
4. 1750 H.P. EMD model GP9 diesel-electric locomotive, bearing road number B&O 6533;
5. 1750 H.P. EMD model GP9 diesel-electric locomotive, bearing road number B&O 6586.
6. 1750 H.P. EMD model GP9 diesel-electric locomotive, bearing road number C&O 5999.
7. Included in the property covered by the aforesaid Security Agreement are locomotives intended for use related to interstate commerce, or interests therein, owned by R.J. Corman Railroad Company/Memphis Line at the date of the Security Agreement, and all replacements and substitutions

STITES & HARBISON

Ms. Mildred Lee
January 5, 1990
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therefor and accessions thereto and all proceeds thereof, including insurance proceeds.

A short summary of the Assignment to appear in the index follows:

Assignment between NCNB National Bank of North Carolina, 1 NCNB Plaza, Charlotte, North Carolina 28255, Central Bank and Trust Company, 300 W. Vine Street, Kincaid Towers, Lexington, Kentucky 40507 and Commercial Bank of Dawson, Kentucky, P.O. Box 464, Dawson Springs, Kentucky 42408, dated December 29, 1989 and covering six (6) 1750 H.P. EMD model GP9 diesel-electric locomotives (bearing road numbers B&O 6469, B&O 6501, B&O 6521, B&O 6533, B&O 6586 and C&O 5999), and all replacements and substitutions therefor and accessions thereto and all proceeds thereof, including insurance proceeds, and connected to the Security Agreement with Recordation No. _____.

A fee of \$30.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to Garry A. Perry, Stites & Harbison, 2300 Lexington Financial Center, Lexington, Kentucky 40507.

Thank you for your assistance. If you have any questions, please do not hesitate to contact the undersigned.

STITES & HARBISON

By: _____

ATTORNEYS FOR COMMERCIAL BANK
OF DAWSON, KENTUCKY

Interstate Commerce Commission
Washington, D.C. 20423

1/12/90

OFFICE OF THE SECRETARY

Garry A Perry
Stites & Harbison
2300 Lexington Financial Center
Lexington, Kentucky 40507

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 1/9/90 at 11:55am and assigned recordation number(s). 16710 & 16710-A

Sincerely yours,



Noreta R. McGee
Secretary

Enclosure(s)

5000
SECURITY AGREEMENT

RECORDATION NO. 16710
FILED 1425

JAN 9 1990 - 11 55 AM

INTERSTATE COMMERCE COMMISSION

THIS AGREEMENT, made this 27 day of August, 1987, by and between R. J. CORMAN RAILROAD COMPANY/MEMPHIS LINE, a Kentucky corporation (hereinafter referred to as the "Debtor") and NCNB NATIONAL BANK OF NORTH CAROLINA, a national banking association with its principal office and place of business in Charlotte, North Carolina and CENTRAL BANK & TRUST COMPANY, a Kentucky state banking corporation with its principal office and place of business in Lexington, Kentucky (hereinafter collectively referred to as "Banks");

WITNESSETH:

Banks have entered into a Loan Agreement of even date (the "Loan Agreement") with Debtor and R. J. Corman Railroad Construction Company, a sole proprietorship (collectively with the Debtor, the "Borrowers") pursuant to which Banks have agreed to extend to Borrowers a loan (the "Loan") in the principal amount of up to \$2,500,000.00. Borrowers' obligation to repay the Loan is evidenced by Borrowers' promissory note (the "Note") of even date herewith in the principal amount of the Loan.

In order to secure the performance by Borrowers of all of their obligations under the Loan Agreement and Note and of all the terms, conditions and agreements set forth therein, Debtor has agreed to grant to Banks a security interest in the Collateral as herein defined.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties hereto, each to the other, and in furtherance of the Loan Agreement, the parties do hereby agree as follows:

1. Definitions.

(a) Capitalized terms used herein and not otherwise defined herein shall have the same meanings given such terms in the Loan Agreement.

(b) The term "Collateral" shall mean all Equipment, now owned or hereafter acquired by Debtor, together with any and all present and future proceeds thereof (including insurance proceeds).

(c) The term "Equipment" shall mean all of the tangible personal property of Debtor purchased from CSX Transportation, Inc. as more particularly described on Exhibit A hereto, wherever located, all replacements and substitutions therefor and accessions thereto and all proceeds thereof, including insurance proceeds.

(d) The term "Obligations" shall have the meaning set forth in paragraph 2 below.

2. Creation of Security Interest. As security for the performance and full and punctual payment of any and all liabilities, indebtedness and obligations of Borrowers to Banks arising under the Loan Agreement and Note, whether primary, secondary, direct, contingent, sole, joint or general, now existing or hereafter arising, the performance by Borrowers of all of their obligations under and of all of the terms, conditions and agreements set forth in the Loan Agreement and Note and the payment by Borrowers of all charges and expenses of collection incurred by Banks, including reasonable attorneys' fees (hereinafter, the "Obligations"), Debtor hereby grants, transfers, hypothecates, assigns and conveys to Banks, their successors and assigns, a continuing security interest in the Collateral.

3. Protection of Collateral. (a) All Collateral and all records relating to the Collateral shall remain in the possession and control of Debtor at all times at Debtor's risk of loss. Debtor will do nothing to impair the security interest of Banks granted herein.

(b) Debtor will not sell, transfer, lease or otherwise dispose of any of the Collateral, or any interest therein, except as set forth below.

(c) Debtor will at all times keep the Equipment in first class order and repair, excepting ordinary wear and tear and any loss, damage or destruction which is fully covered by proceeds

of insurance. Debtor may not (directly or indirectly) dispose of any Equipment other than the disposition in a commercially reasonable manner of Equipment which becomes redundant, obsolete or worn out or which should be replaced so as to improve productivity. Any replacement equipment shall have comparable or better utility and equivalent or better value, and shall be subject to a first priority security interest therein in favor of Banks, unless otherwise agreed by Banks, which agreement shall not be unreasonably withheld.

(d) Debtor will at all times keep the Collateral insured against loss, damage, theft and other risks, in such amounts and with such company and under such policies as shall be satisfactory to Banks, which policies shall provide that loss thereunder shall be payable to Banks as their interest may appear (and Banks may apply any proceeds of such insurance which may be received by them toward payment of the Obligations, whether or not due, in such order of application as Banks may determine or release the proceeds for the repair or replacement of the affected Collateral) and Debtor shall immediately notify Banks of the occurrence of any casualty or act of God causing a material loss in value of such Collateral. Banks will make such insurance proceeds available for the repair or replacement of the affected Collateral if no default has occurred and Banks are reasonably satisfied that sufficient funds (including funds provided by Debtor) are available to effect such repair or replacement.

(e) Debtor warrants that its principal place of business is Post Office Box 788, Jessamine Station Road, Nicholasville, Kentucky.

4. Protection of Security Interest.

(a) The Collateral, whether affixed to the realty or not, shall remain personal property.

(b) Debtor will, at its expense and upon request of Banks, execute and deliver such financing statements, notices of lien, notices of assignment (and continuations or amendments of any of the foregoing) and other documents (and pay the cost of filing or recording the same in all public offices deemed necessary by Banks) and do such other acts and things, all as Banks may from time to time request, to establish and maintain a valid security interest in the Collateral, to secure the payment of the Obligations, or to enable Banks to exercise and enforce any of their rights, powers and remedies hereunder.

(c) Debtor will, concurrently with the granting of this security interest in the Collateral, place notations on its books and records disclosing the security interest of Banks in such Collateral.

(d) Debtor will reimburse Banks for all expenses, including reasonable attorneys' fees and disbursements, incurred

by Banks, in seeking to collect or enforce any rights hereunder and, in case of default, incurred by Banks in seeking to collect the Obligations secured hereby and to enforce their rights hereunder.

(e) Debtor will not change its name, identity or organization in any manner unless it shall have given Banks at least sixty (60) days prior written notice thereof and shall have taken all action (or made arrangements to take such action substantially simultaneously with such change if it is impossible to take such action in advance) necessary or reasonably requested by Banks to amend any financing statement or continuation statement evidencing Banks' security interest in the Collateral.

(f) To the fullest extent permitted by law, Debtor has authorized Banks to sign and file financing and continuation statements and amendments thereto with respect to the Collateral without the signature of Debtor thereon.

(g) Debtor will not change the location of (i) its place of business, (ii) its chief executive office, or (iii) the location where it keeps or holds any Collateral or any records relating thereto from the applicable location unless, prior to such change, it shall notify the Banks of such change, make all UCC filings required to continue Banks' security interest in the Collateral and take all other action necessary or that Banks may

reasonably request to preserve, perfect, confirm and protect the security interest granted to Banks hereunder.

5. Default. The term "Default" as used herein means the occurrence of any of the following events:

(i) The occurrence of an Event of Default under the Loan Agreement; or

(ii) The failure of Debtor, punctually and properly, to perform any covenant, agreement or condition contained herein and such failure continues for more than thirty (30) days after written notice thereof by Banks to Debtor.

6. Banks' Rights and Remedies. Upon the occurrence of a Default, Banks shall have all the rights and remedies of a secured party under the Uniform Commercial Code as enacted in the State of North Carolina, and under any other applicable law.

Without limitation thereto, Banks shall have the following specific rights and remedies:

(i) The right to endorse the name of Debtor upon any check, draft or other instrument payable to Debtor evidencing payment upon the Collateral or any part thereof, and to receive and apply the proceeds therefrom in accordance with the terms hereof. Upon the occurrence of a Default, all payments received

by Debtor under or in connection with the Collateral shall be held by it in trust for Banks, shall be segregated from its other funds and shall, forthwith upon receipt by it, be turned over to Banks, in the same form as received and duly endorsed to Banks;

(ii) Take such action as Banks shall deem appropriate for the collection of any proceeds of the Collateral with respect to which a delinquency exists;

(iii) To take immediate possession of the Collateral without notice or resort to legal process; and for such purpose, to enter upon any premises on which the Collateral or any part thereof may be situated and remove the same therefrom; or, at their option, to render the Collateral unusable. Further, also at their option, to dispose of said Collateral on any premises of Debtors;

(iv) To require Debtor to make the Collateral available to Banks;

(v) To dispose of said Collateral, in any county or place to be selected by Banks at the time of default, at either private or public sale (at which public sale Banks may be the purchaser), with or without having the Collateral physically present at said sale. If any notification of intended disposition of any of the Collateral is required by law, such notification, if mailed, shall be deemed reasonably and properly given if mailed at

least ten (10) days before such disposition, postage prepaid, addressed to Debtor at Post Office Box 788, Jessamine Station Road, Nicholasville, Kentucky 40356;

(vi) To make or have made any repairs to the Equipment deemed reasonably necessary or desirable at time of repossession, possession or sale, the cost of which is to be charged against Debtor;

(vii) To endorse in the name of Debtor, any item, however received by Banks, representing any payment on or other proceeds of any of the Collateral; and

(viii) To apply the proceeds realized from the disposition of the Collateral (including all payments received from Debtor, account debtors or otherwise) to satisfy the following items in the order here listed:

(A) The reasonable expenses of taking, removing, holding for sale, repairing or otherwise preparing for sale and selling the Collateral, specifically including Banks' reasonable attorneys' fees and collection expenses; next, to

(B) The indebtedness of Borrowers to Banks secured hereby; and finally,

(C) Any surplus which shall remain shall be paid to Debtors or otherwise as a court of competent jurisdiction shall direct.

7. Additional Agreements.

(a) Banks shall have the right at all times to enforce the provisions of this Security Agreement in strict accordance with the terms hereof, notwithstanding any conduct or custom on their part in refraining from so doing at any time. No waiver or omission to act by Banks shall operate as a waiver of any other default or of the same default at a future time, and no single or partial exercise by Banks of any right or remedy shall preclude any other or future exercise of that or of any other right or remedy. The provisions, rights and remedies hereof are cumulative and concurrent to and with those of all other agreements and documents held by Banks in connection with the indebtedness herein described. Time is of the essence of this Security Agreement.

(b) Use of the masculine pronoun herein shall include the feminine and neuter, and use of the singular pronoun shall include the plural. All rights of Banks shall inure to the benefit of their successors and assigns, and all obligations of Debtors shall bind their successors and assigns.

(c) Debtor shall at all times hereafter indemnify, hold harmless, and, on demand, reimburse Banks, their subsidiaries,

affiliates, successors, assigns, officers, directors, employees and agents, and their respective heirs, executors, administrators, successors and assigns (all of the foregoing parties being referred to herein collectively as the "Indemnitees" and individually as an "Indemnatee") from and against any and all liabilities, obligations, claims, damages, actions, penalties, causes of action, losses, judgments, suits, costs, expenses and disbursements, including without limitation, attorneys' fees (any and all of the foregoing being herein referred to collectively as "Liabilities" and individually as a "Liability") which the Indemnitees, or any of them, may sustain or incur, or to which the Indemnitees, or any of them, might be or become subjected to, by reason of, or arising out of the preparation, execution, delivery, modification, administration or enforcement of, or performance of Banks' duties under, the Security Agreement or any other document, instrument or agreement contemplated herein or executed in connection herewith; provided that Debtor shall not be liable to any Indemnatee for any Liability caused solely by the negligence or willful misconduct of such Indemnatee.

(d) This Security Agreement has been delivered in the State of North Carolina and shall be construed in accordance with the laws of this State. Wherever possible each provision of this Security Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Security Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent

EXHIBIT A

Five (5) 1750 H.P. EMD Model GP9 diesel-electric locomotives

bearing road numbers B & O 6469, 6501, 6521, 6533 and 6586;

One (1) 1750 H.P. EMD Model GP9 diesel-electric locomotive bearing
road number C&O 5999;


Together with all rails, ties, and other personal property
purchased by Debtor from CSX Transportation, Inc. or The
Chesapeake and Ohio Railway Company.

of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Security Agreement.

(e) All notices herein required shall be in writing and shall be transmitted by the means and to the addresses specified in or as contemplated by the Loan Agreement.

IN WITNESS WHEREOF, Debtor and Banks have caused this Security Agreement to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

R. J. CORMAN RAILROAD COMPANY/
MEMPHIS LINE

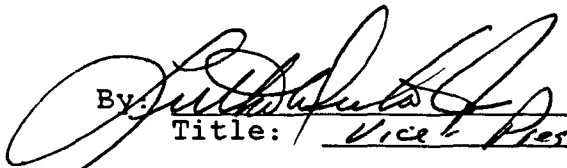
By: 
Title: PRESIDENT

"DEBTOR"

NCNB NATIONAL BANK OF NORTH CAROLINA

By: 
Barbara P. Walker, Vice President

CENTRAL BANK & TRUST COMPANY

By: 
Title: Vice President

"BANKS"

ACKNOWLEDGMENTS PURSUANT TO
49 C.F.R. §1177.3

STATE OF KENTUCKY)
) SS:
COUNTY OF FAYETTE)

The foregoing instrument was acknowledged before me this 29th day of December, 1989 by R. J. CORMAN, president of R. J. CORMAN RAILROAD COMPANY/MEMPHIS LINE, a Kentucky corporation, on behalf of the corporation.

My commission expires: October 11, 1990

J. Barrie Deland
NOTARY PUBLIC

[SEAL]

STATE OF NORTH CAROLINA)
) SS:
COUNTY OF Mecklenburg)

Personally appeared before me, Barbara P. Morgan a Notary Public of the State and County aforesaid, Barbara P. Walker with whom I am personally acquainted, and who, upon oath, acknowledged herself to be Vice President of NCNB NATIONAL BANK OF NORTH CAROLINA, a corporation, and she as such Vice President, being authorized so to do so, acknowledged executing the foregoing instrument for the purpose therein contained by signing the name of the corporation thereto by BARBARA P. WALKER, its Vice President.

Witness my hand and seal this 28 day of December, 1989.

Barbara P. Morgan
NOTARY PUBLIC

My Commission Expires:

My Commission Expires March 28, 1994

[NOTARIAL SEAL]

STATE OF KENTUCKY)
) SS:
COUNTY OF FAYETTE)

The foregoing instrument was acknowledged before me this 29th day of December, 1989 by LUTHER DEATON, JR., Vice President of CENTRAL BANK & TRUST COMPANY, a Kentucky banking corporation, on behalf of the corporation.

My commission expires:

October 11, 1990

J. Rorie Heland

NOTARY PUBLIC

[SEAL]

STATE OF KENTUCKY)
COUNTY OF Jayette) SS.

CERTIFICATE

The undersigned certifies that she has compared this copy of a Security Agreement dated August 27, 1987, entered into by and between R.J. Corman Railroad Company/Memphis Line, NCNB National Bank of North Carolina and Central Bank and Trust Company, with the original, and has found the copy to be complete and identical in all respects to the original document.

Judy M. Marsh
Notary Public, State of Kentucky
At Large

My Commission Expires: June 9, 1991.